RAVENSOURCE
FUND

MANAGEMENT'S LETTER TO UNITHOLDERS

FOR THE SIX MONTHS ENDED JUNE 30, 2018

NOTICE TO READER

The purpose of Ravensource's Management's Letter to Unitholders is to impart information and analysis to Ravensource's unitholders to allow a thorough understanding of their investment. This letter is a supplemental report to be read alongside the financial statements, Management Report on Fund Performance ("MRFP"), Annual Information Form ("AIF") and the Independent Review Committee ("IRC") report. You can get a copy of the aforementioned documents along with the Fund's proxy voting policies and procedures, proxy voting disclosure record, at your request, and at no cost, by calling (416) 250-2845, by writing to us at Stornoway Portfolio Management 30 St. Clair Avenue West, Suite 901, Toronto, ON M4V 3A1, by visiting our website at www.ravensource.ca, or the SEDAR website at www.sedar.com.

A Note on Forward-Looking Statements

This document may contain forward-looking statements relating to anticipated future events, results, performance, decisions, circumstances, opportunities, risks or other matters. Forward-looking statements are statements that are predictive in nature requiring us to make assumptions and are subject to inherent risks and uncertainties. Our predictions and other forward-looking statements may not prove to be accurate, or a number of factors could cause actual events, results, performance, etc. to differ materially from the targets, expectations, estimates or intentions. These factors could include market and general economic conditions, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the fund may invest, and the risks detailed in the fund's Annual Information Form. Forward-looking statements are not guarantees of future performance. For these reasons, it is important that readers do not place undue reliance on our forward-looking statements and should be aware that the Fund may not update any forward-looking statements whether as a result of new information, future events or otherwise.

About the Ravensource Fund

The Ravensource Fund is a closed-end investment trust whose units trade on the TSX under the symbol **RAV.UN**. The principal objective of Ravensource is to achieve absolute long-term returns through investing in out-of-favor and deep-value North American securities. Ravensource's investments fall primarily in three categories:

1. *High Yielding Securities:* investing in corporate debt, income fund units, or other securities that produce a sustainable high level of income for the underlying credit risk.

2. *Distressed Securities:* investing in corporate debt, creditor claims and/or equity securities of companies which are in, perceived to be in, or emerging from financial distress at a value materially different from what we believe to be the underlying fundamental value of the securities.

3. *Special Situations Equities:* investing primarily in Canadian and U.S. small and mid-cap equities that are not only attractively valued but also with catalysts to unlock value.

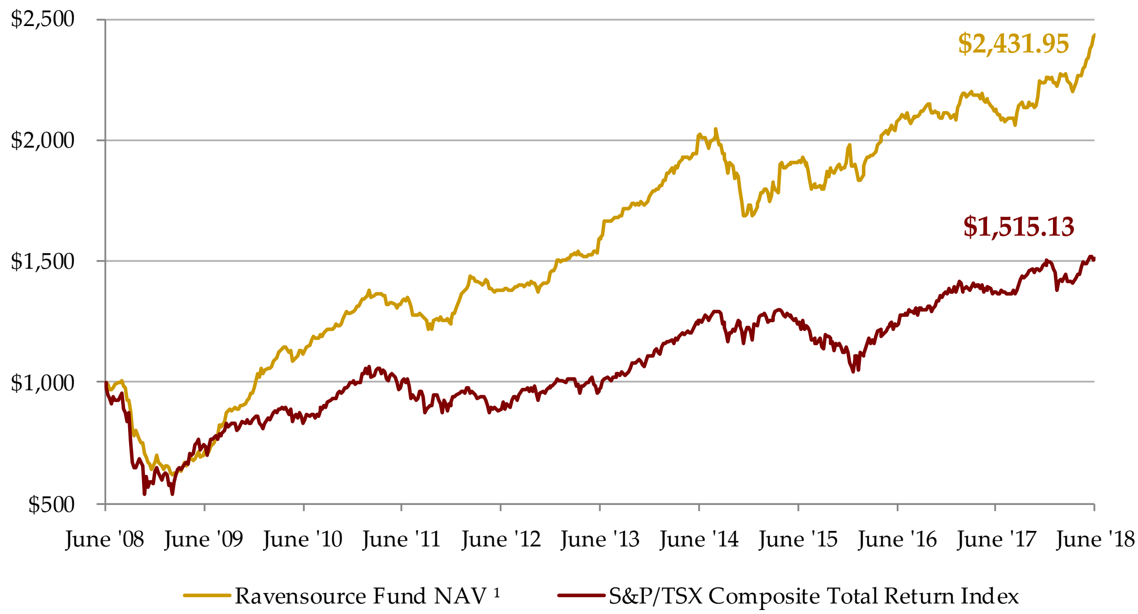
About Stornoway Portfolio Management ("Stornoway")

Stornoway was appointed the Fund's Investment Manager on July 1, 2008 to execute Ravensource's investment strategy. Stornoway is a Toronto-based, employee-owned investment management firm focused on investing in distressed securities and other out of favor investment opportunities that withstand a thorough and disciplined analytical rigor prior to investing. The Stornoway Team is comprised of Brandon Moyse, Daniel Metrikin and Scott Reid on the investment side while Mahesh Shanmugam manages our operations and compliance duties. Our bios and our approach to investing can be found on the Ravensource website. In addition to Ravensource, Stornoway manages the Stornoway Recovery Fund LP, a limited partnership that invests in opportunities that arise from companies that are in or near financial distress.

Past investment performance by the Ravensource Fund is not indicative of future results and there cannot be any assurances that its investment objectives will be achieved. This letter is not a solicitation to invest.

MANAGEMENT'S LETTER TO UNITHOLDERS

Growth of $1,000



(1) Based on net asset value per unit, assuming all distributions are reinvested in units at net asset value.

Dear Fellow Investors,

We are pleased to report that Ravensource Fund's ("Ravensource" or "the Fund") net asset value ("NAV") per unit increased by 7.9% over the six months ended June 30, 2018 after factoring in the receipt of distributions.

2017 was a building block year for Ravensource in that we established more investments than at any equivalent period since we commenced managing the Fund in July 2008. While we uncovered a number of very compelling opportunities, admittedly, they generated little in the way of an immediate increase in the value of your Ravensource investment in 2017.

Over the first half of 2018, we have begun to see some of the fruits of those seeds planted in 2017 and in periods prior. Our investment philosophy extends beyond simply uncovering new investments and deciding when to buy or sell them like most mutual funds. Rather, we are actively involved with many of our underlying investee companies — often as a member of their board of directors or creditor committees — to help protect, create and capture the value that we recognized at the time of our investment. Many of these active investments contributed strongly to 2018's performance. However, we guide you to be patient with your Ravensource investment as our contrarian approach takes time – in most cases several years – and resolve to generate results on our portfolio of out-of-favor securities.

Our goal for this letter is simple: report to you in a frank and open way about the philosophy and approach that guides our investment decisions; the rationale for and changes in Ravensource's investments; the performance of the investments over the reporting period; and some of the risks to which Ravensource is exposed. We do so to help you better understand your Ravensource investment.

Investment Performance

The investments that have made the most significant contributions — positively and negatively — to Ravensource's performance in the first half of 2018 are found in the table below:

Investment	Impact on Fund [1]
Specialty Foods Group	6.3%
Genworth Financial Inc.	2.8%
Crystallex International Corp. 9.375% due December 30, 2011	2.7%
Firm Capital American Realty Partners Corp.	0.7%
Spanish Broadcasting System Inc.	0.6%
Supremex Inc.	(0.8%)
GXI Acquisition Corp.	(1.8%)
Other [2]	0.0%
Pre-expense / Incentive Fee Investment Return	**10.5%**

[1] Increase in NAV due to investment's total return for the period

[2] Includes other asset investment returns

We would like to review some of these investments:

Specialty Foods Group ("SFG")

SFG is a leading independent U.S. producer and marketer of premium branded and private-label processed meat products such as franks, hams, bacon, and luncheon meats through its operating facility based in Owensboro, Kentucky. We invested in SFG to allow the company to avert bankruptcy in June 2006. Shortly after our investment, I joined SFG's board of directors and worked hard with the other board members and new management team to stabilize and strengthen the company to enable it to again prosper.

Since our investment, the company converted its debt to equity, sold unprofitable subsidiaries, harvested the cash flow from its Nathan's Famous business, and built its Kentucky Legend brand into the #1 (and #1 tasting) smoked ham and turkey in the US. Not only are we very proud of these achievements, but we also profited handsomely from them. With SFG successfully restructured, its operations revitalized, and transactions in the food processing sector occurring at historically high valuations, it is a great time to sell our treasured investment.

Typical of our hands-on approach to investing, once the decision was made to put SFG up for sale, Brandon, Daniel, and myself became actively involved in readying it for market. We were a core part of the team that selected the investment banker; helped craft the marketing materials to best highlight the SFG opportunity; and coached the SFG team for the management presentations to interested buyers. In addition, SFG's Board, of which I am a member, accelerated a number of valuation creation projects to ensure the existing shareholders would be the beneficiaries.

By the end of June, multiple potential acquirers firmed up their interest in SFG, making the path to monetizing our investment more defined and tangible. In determining the market value of our SFG investment, the Fund's third-party valuator applied an appropriate discount to these expressions of interest. As a result, the carrying value of our SFG position was increased as of June 30, 2018, making it the largest contributor to Ravensource's 2018 performance to date, and is likely to increase further in the event SFG is indeed sold.

Genworth Financial Inc. ("Genworth")

Genworth is a publicly listed (NYSE: GNW) U.S.-based company focused on the long-term care, mortgage, and traditional life insurance markets. In October 2016, the company agreed to be acquired by China Oceanwide Holdings ("China Oceanwide") for $5.43 per share. However, the stock has since traded at a large discount to the acquisition price reflecting concerns the deal will not close. We purchased most of our position in February 2017 below $3.75 per share. Our investment thesis was based on earning a 45% return if the transaction closes as advertised and our analysis that Genworth's mortgage insurance operations alone exceeds our purchase price if it doesn't.

On June 9, the single biggest regulatory roadblock was removed as the Committee on Foreign Investment in the United States ("CFIUS") gave its approval to the China Oceanwide transaction. Genworth's stock jumped on the announcement from the high $3s to close at $4.50 by June 30, 2018. While our Genworth position generated an attractive return for the Fund in the period, the remaining $0.93 discount to the China Oceanwide acquisition price reflects the market's doubt the transaction will close.

Contrary to the market's assessment, we believe the deal will close as the remaining regulatory approvals should be routine and the CFIUS approval takes the decision out of Trump's hands. Ravensource will profit handsomely if the transaction is consummated, generating a further 21% return on our investment from Genworth's June 30, 2018, closing share price. In the event the transaction does not close, we believe the intrinsic value of Genworth's underlying businesses provides us with significant downside protection.

Crystallex International Corp. ("Crystallex")

Ravensource has a significant investment in Crystallex's 9.375% Senior Notes. We receive more calls from Ravensource investors on this investment than all others combined. Investors generally see Venezuela and panic or are willing to sell at any price. However, most of our investments — debt of bankrupt companies, for example — are counter-intuitive to most investors. Our contrarian approach emphasizes analytical rigor over emotion, providing us with the conviction necessary to pick up bargains that provide an attractive return if our analysis is correct and a margin-of-safety that helps protects us when we are wrong. Crystallex is a perfect example.

As a synopsis of our investment thesis, Venezuela owes Crystallex approximately U$1.5bn from an International Centre for Settlement of Investment Disputes damages award (the "ICSID Award"). In turn, Crystallex owes its debtor-in-possession lenders approximately U$120mm and its other class of creditors — of which the Senior Notes comprise more than 95% — over U$250mm. As long as Crystallex receives at least U$370mm, or just 25% of the amount it is owed, the Senior Notes will receive up to $240 for each $100 of par value of bonds. Under that scenario, Ravensource would earn a return in excess of 200% over and above the June 30th, 2018, market price of the Senior Notes.

In November 2017, Crystallex and Venezuela entered into a settlement agreement (the "Settlement Agreement") whereby Venezuela is required to make a series of payments to Crystallex while Crystallex is required to stand down on its legal actions to collect the ICSID Award. After paying Crystallex US$43 million, Venezuela stopped making payments to Crystallex in April 2018, releasing Crystallex to go after Venezuela's assets.

The magic of an ICSID Award is its enforceability outside of Venezuela with the right to seize assets in the event of non-payment. Venezuela has significant assets in the U.S. and other jurisdictions that recognize ICSID judgments. Citgo Petroleum Corporation ("CITGO") — Venezuela's U.S.-based refiner, transporter and marketer of transportation fuels, petrochemicals and other industrial products — alone should be more than sufficient to fully repay the Senior Notes with plenty of leftovers. With CITGO now firmly in Crystallex's sights, a tipping point is potentially on the horizon that could have an extraordinary positive impact on the value of our Senior Note investment. We remain optimistic of the prospects on this truly esoteric investment.

Firm Capital American Realty Partners Corp. ("FCA")

FCA is a publicly listed Canadian company (TSXV: FCA.U) focused on partnership investing in U.S. income-producing, multi-family residential real estate properties. Most real estate companies are 'me-too' ventures clipping coupons from steady-state properties, leaving investors exposed to interest rate increases and providing little upside from asset-related value appreciation. In contrast, FCA seeks to create shareholder value by partnering in projects alongside local operators and implementing initiatives to enhance a project's cash flow and boost its market value.

Our investment in FCA's shares follows the tried and true Stornoway strategy: capitalizing on the bargain basement prices that arise when investors panic from a corporate crisis while partnering with management teams with the expertise to turn the company around. We invested in FCA out of the embers of a tiny, terribly managed company called Delavaco, a failed attempt to exploit the US real estate crash in 2008. Through the firm hand and vision of Eli Dadouch and his team at Firm Capital Corporation, supported by capital injections from Ravensource and others, Delavaco emerged from this turmoil as a strong FCA. In July 2016, I joined FCA's Board of Directors.

Since our investment, Eli and his team's achievements have been extraordinary as they established a disciplined infrastructure; de-risked FCA's balance sheet; and pivoted the portfolio away from Delavaco's single-family homes in challenging neighbourhoods to invest in multi-family buildings in improving areas. These initiatives have materially increased the company's cash flow and intrinsic value. While we realize it will take time and sustained results for the market to recognize – and pay for – what the FCA team has accomplished, we remain very optimistic on the continued appreciation of FCA's book value and share price.

Spanish Broadcasting System, Inc. ("Spanish Broadcasting")

Spanish Broadcasting is a publicly listed (OTC: SBSAA) U.S.-based national broadcaster of Hispanic-centered entertainment, primarily operating a network of radio stations in major cities in the US including the #1 rated Spanish language radio station in America. In June 2017, Ravensource invested in Spanish Broadcasting's Series B Preferred Shares. Our investment thesis is that the company's radio assets are indeed very valuable but are wrapped within a morass of issues that weaken the company and inhibit it from capitalizing on the opportunities in front of them. If these issues are resolved – likely through a financial restructuring – we believe that the market value of the company and our preferred shares along with it will go up. If it was only that simple.

At the heart of the issues lies Spanish Broadcasting's tangled capital structure whereby divergent interests among the three key stakeholders dominate the state of play:

- At the top of the food chain are the Secured Notes which the company failed to repay on their April 2017 maturity date. In normal circumstances, the Secured Noteholders would demand repayment and the company would file for Chapter 11 / insolvency protection if this requirement is not met. To avoid the inevitable loss of shareholder control that would follow, the company is renting the Secured Noteholders' inaction by making what we believe are illicit 12.5% interest payments that are well-above the market rate. These payments are akin to 'blood money' as they milk the company of its free cash flow and exist only to allow the shareholders to remain in power. However, the Secured Noteholders will eventually demand their money back.

- Next in line, the Preferred Shareholders' objective is to normalize the capital structure and properly align the true economic ownership with the command and control of the company. In doing so, the company would be able to secure long-term debt from traditional sources, thereby increasing its free cash flow and putting it in a position of strength to capitalize on commercial opportunities it cannot presently take advantage of. This can be achieved by a consensual or contested restructuring.

- At the bottom lie the shareholders. The company's CEO and son of the founder owns the preponderance of the economic and voting interest in the out-of-the-money common shares. In a typical restructuring, the shareholders would likely be wiped out as we believe the value of the company is less than the amounts owed to the Secured Notes and Preferred Shares that rank ahead of the equity. He is likely fiercely opposed to a restructuring as through it he will potentially lose his economic stake and possibly his lucrative annual compensation that currently exceeds the entire market value of the company's shares. It should be no surprise that his efforts are focused on maintaining the status quo.

We are cognizant that achieving an appropriate restructuring is challenging and will mean nothing if the economic value of our investment is in doubt. Operationally, Spanish Broadcasting continues to perform well, reporting a 50% year-over-year increase in Adjusted EBITDA in the first half of 2018. As we were able to purchase our preferred share position at a meaningful discount to its intrinsic value compounded by the company's strong operating performance, we remain highly confident in ultimately profiting from the value lying dormant in the preferred shares.

GXI Acquisition Corp. ("GXI")

GXI is a Canadian private company that was formed in September 2016 to purchase Guestlogix Inc. ("Guestlogix") out of insolvency. Guestlogix, a former public company headquartered in Toronto, provides point-of-sale platforms specifically engineered to drive ancillary revenue for the airline industry while enhancing the on-board experience for their passengers. Ravensource's partners in GXI are the Stornoway Recovery Fund LP along with two successful investors who have proven track records of leading and investing in growth-oriented technology and consumer companies.

Our experience to date with GXI is typical for Stornoway in that the path to creating value on our investments is rarely smooth. While we successfully implemented the restructuring plan to stabilize the business, the revitalization phase since then is taking longer and has proven to be more challenging. Although Guestlogix has retained the bulk of its clients, others have left, partially due to a hangover from its bout with insolvency. It is rare that a company comes out of insolvency protection unscathed. We admittedly also made mistakes, the largest being our choice of CEO which we cured by parting ways with him in March. Accordingly, the third-party valuator reduced the carrying value of our GXI investment.

To counter these headwinds, the Guestlogix team has upped their game by evolving its core platform to recapture market-leading status. It is also launching a passenger mobile application with the potential to transform the air travel experience for travelers in a very meaningful way, which greatly expands the market opportunity beyond our initial thesis. Early indications are very encouraging as the company has begun to sign up new customers. We remain cautiously optimistic that we will be ultimately rewarded on our investment.

Relative Performance

The Fund's objective is to produce significant long-term returns for its investors regardless of market conditions. This is called "absolute" performance and the first part of this letter outlined the Fund's investments that have contributed to — or detracted from — attaining this objective.

While generating attractive, long-term results is our mission, we realize that you will likely want to measure our performance relative to other investment vehicles or benchmarks. To help facilitate this process, we have identified several indices — see Appendix 1 for their descriptions — that we believe are appropriate in assessing Ravensource's "relative" performance. Unfortunately, given the truly idiosyncratic nature of the Fund's investment strategy, we have not uncovered an index that sufficiently resembles the Fund to the degree it should be considered / used as a benchmark.

The table below outlines the historical performance of Ravensource and the various indices. Please note that all returns are calculated on a total return basis and only reflect the Fund's performance since Stornoway became Ravensource's Investment Manager in July 2008.

					Return Since July 1 ,2018	
As at June 30, 2018	**YTD 2018 (2)**	**1 Year**	**3 Years**	**5 Years**	**Annual**	**Total(2)**
Ravensource Fund NAV (1)	**7.9%**	**14.8%**	**8.4%**	**8.8%**	**9.3%**	**143.2%**
S&P/TSX Composite Total Return Index	1.9%	10.4%	7.0%	9.2%	4.2%	51.5%
S&P/TSX Small Cap Total Return Index	(1.7%)	5.4%	6.3%	6.5%	2.3%	25.0%
ICE BofAML US High Yield Index (3)	4.5%	3.9%	7.3%	10.3%	10.8%	178.5%
Credit Suisse Distressed Hedge Fund Index (3)	5.4%	5.5%	4.7%	8.4%	6.7%	91.9%

(1) Based on net asset value per unit, assuming all distributions are reinvested in units at net asset value.
(2) Un-annualized return
(3) Translated into Canadian dollars

As seen in the table above our absolute returns in the first half of 2018 outperformed all of the indices we use to measure the Fund's relative performance.

While the Fund's short-term results are encouraging, we believe that investment performance is more appropriately judged over a longer time horizon as it reveals whether the investment process is repeatable and how it weathers the ups and the downs of the market. In addition, that approach is consistent with our objective to create long term capital appreciation for our investors and the 2- to 4-year period it typically takes the market to recognize the value we did at the time of investment.

For periods exceeding one year, Ravensource's performance remains at or close to the top of the table. Since Stornoway began managing Ravensource in July 2008, the Fund's NAV per unit has increased by 143.2% in total and 9.3% on an annualized basis, including re-invested distributions. By comparison, the S&P/TSX Composite Total Return Index has increased by 51.5% in total / 4.2% annualized over the same time period.

Fund Liquidity and Investment Activity

Liquidity

Starting 2018 with 6% of the Fund's net assets in net cash, our liquidity grew to 13% by June 30, 2018, as investment divestitures outpaced purchases and other cash uses. The purpose of reporting the Fund's net cash position is to quantify the gunpowder the Fund can deploy to either opportunistically add to our existing positions or to establish new ones. In addition, the change in net cash can be viewed as a barometer of our investment activities in that it will capture whether the Fund is a net buyer or seller during the period.

The sources and uses of the Fund's net cash during the period are outlined below:

	Amount	per Unit	% of NAV (1)
Sources			
Investment Divestitures	3,403,796	2.03	12.7%
Foreign Exchange on Cash	(173,642)	(0.10)	(0.6%)
Dividends and Interest	279,299	0.17	1.0%
Total	3,509,453	2.10	13.1%
Uses			
Investment Purchases	741,085	0.44	2.8%
Expenses	635,216	0.38	2.4%
Distributions to Unitholders	250,931	0.15	0.9%
Total	1,627,232	0.97	6.1%
Change in Net Cash	1,882,221	1.13	7.0%

(1) % of June 30, 2018 NAV

Investment Purchases

During the first half of 2018, we made add-on purchases to our ownership of Flow Capital Corp. debentures while establishing a new position in another part of Spanish Broadcasting System Inc.'s capital structure.

Flow Capital Corp. ("Flow Capital")

In March 2018, Grenville Strategic Royalty Corp. ("Grenville") announced it had agreed to acquire LOGiQ Asset Management ("LOGiQ") via a reverse takeover and rename the entity to Flow Capital. LOGiQ is a fee-based third-party marketer of investment funds that generates around $2 million of annual cash flow with approximately $4.5 million cash on hand. On the June 5, 2018, close of the transaction, the credit quality of our existing bond position significantly improved as the assets backing our bonds now included LOGiQ's cash and operating business in addition to Grenville's royalty portfolio. Given the significant positive developments to our now Flow Senior Bonds, we were active in the markets increasing our position at a yield in excess of 24%.

Spanish Broadcasting System, Inc. ("Spanish Broadcasting")

During the first half of 2018, we acquired a strategic position in Spanish Broadcasting's Secured Notes. Despite being outstanding past their maturity date, the Secured Notes continue to receive the well-above-market 12.5% interest payments — the aforementioned 'blood money' — and are well-protected by Spanish Broadcasting's assets and operating cash flow. Investment rationale aside, the tactical benefit of the Preferred Shareholders owning a significant stake of the Secured Notes cannot be overstated. In the event that the Preferred Shareholders collectively own in excess of 25% of the Secured Notes outstanding, they can force the company to come to the negotiating table or face the consequences of a Chapter 11 filing. Either outcome, we believe, will eventually result in a properly reorganized company and increase the market value of our preferred shares.

Divestitures

The only divestiture during the period was the sale of our entire position in NAPEC Inc.

NAPEC Inc. ("NAPEC")

As we wrote in our year-end letter, NAPEC had agreed to be acquired by Oaktree in December 2017 at $1.95 per share. We supported the Oaktree transaction as it met our long-term valuation of the company; however, the Fund sold its position at $1.94 per share in the open market in the days prior to the vote rather than tendering into Oaktree's $1.95 bid. The decision to sell was based on the desire to eliminate the risk of shareholders voting down Oaktree's proposal, which could have caused the shares to fall back down to their $1.25 pre-announcement trading price. Over the approximate four years that Ravensource owned the position, the NAPEC investment generated a 27% annualized compounded return.

Distributions

Ravensource's distribution policy is to make semi-annual distributions to unitholders in an amount to ensure that it does not incur any tax while providing a reasonable yield. Total distributions for the six months ended June 30, 2018 amounted to $0.15 per unit, equal to December's distribution but down from $0.22 in the comparable period in 2017. The annualized yield on Fund units was 2.15% over the first 6 months of 2018 assuming one invested at the closing market price of $14.01 on December 31, 2017.

Operating Expenses

Ravensource's operating expenses include investment management fees, trustee fees, TSX listing fees, interest and borrowing costs, accounting and audit expenses, IRC costs, legal and professional expenses, transaction costs and other sundry operating expenses. The table below shows how these expenses reduce the Fund's gross return on investment to arrive at the Fund's net investment return. Please note, operating expenses as expressed below is not to be confused with the Management Expense Ratio ("MER"). For details regarding the Fund's MER, please refer to the Management Report on Fund Performance.

	June 30, 2018	June 30, 2017	YoY Change
Pre-expense / Incentive Fee Investment Return	**10.50%**	**1.30%**	
Less:			
Management, administrative and IR fees	0.35%	0.33%	0.02%
Audit and accounting fees	0.11%	0.10%	0.01%
Legal fees	0.15%	0.18%	(0.03%)
Interest expense	0.16%	0.12%	0.04%
Trust administration and transfer agency fees	0.03%	0.04%	(0.01%)
Listing fees	0.05%	0.04%	0.01%
Independent review committee fees	0.05%	0.01%	0.04%
Transaction costs	0.08%	0.03%	0.05%
Other operating expenses	0.04%	0.07%	(0.03%)
Total Expenses Before Incentive Fee	**1.02%**	**0.92%**	**0.10%**
Pre-Incentive Fee Investment Return	**9.48%**	**0.38%**	
Less:			
Incentive Fee	1.58%	0.00%	
Ravensource Fund Net Investment Return	**7.90%**	**0.38%**	

For the first six months of 2018, Ravensource's operating expenses, excluding the incentive fee, was 1.02%, slightly higher than the comparable period in 2017. To be consistent with investment performance, year-to-date expenses have not been annualized. The increase in operating expenses was primarily the result of a period-over-period increase in security transaction costs (5 basis points), independent review committee fees (4 basis points) and interest expense (4 basis points), partially offset by a decrease in legal fees (3 basis points) and other sundry operating expenses (3 basis points).

Incentive Fee

As detailed in the Portfolio Management Agreement, the Investment Manager is entitled to an incentive fee equal to 20% of the amount by which the net asset value per unit at the end of the year, adjusted for contributions, distributions, and redemptions during the year, exceeds the net asset value per unit at the beginning of the year by more than 5%, plus any shortfalls from prior years (the "Incentive Fee").

The Incentive Fee accrued for the six months ended June 30, 2018 amounted to 1.58% of average net assets, versus nil% for the comparable period in 2017. The increase in incentive fee is somewhat of a high-class issue for investors as it is a direct result of the increase in value of their investment in Fund units. This correlation between the Incentive Fee and the Fund's performance highlights the alignment of our interests with those of Ravensource's investors.

Risks

At the time of investment and throughout the period we own a security, we take particular care in assessing its risk and impact on the portfolio. A key risk management tool is that we purchase securities at prices substantially below what we have conservatively determined as their intrinsic value and often become actively involved to ensure that our rights and recoveries are upheld. However, despite our thorough analysis and involvement, sometimes we are just wrong or the potential of a given investment does not materialize thus exposing our investors to a loss of capital.

In addition to the risks specific to a particular investment, the Fund is exposed to changes in foreign exchange rates, interest rates, credit conditions and other economic factors as described in the Annual Information Form, on the Ravensource website and in the notes attached to our financial statements. We encourage all investors to carefully read the Fund's financial statements, including the additional disclosure in the notes to the financial statements, as we do prior to investing.

There has been no change in the Fund's stated investment strategy or other changes that would materially affect the risk of investing in Ravensource in 2018. We continue to believe the Fund is suitable for those investors seeking long-term capital growth, have a long-term investment horizon, and possess a medium to high risk tolerance to withstand the ups and downs that go along with investing in out-of-favor securities.

To give you a better understanding of the risks that Ravensource is exposed to, we have broken out the portfolio by investment strategy, enterprise value, industrial grouping and concentration.

Portfolio Composition

Investment Portfolio by Strategy

Over the first half of 2018, there was a shift in the Fund's investment portfolio from Special Situation Equities to Distressed Securities. This was primarily the result of the sale of NAPEC's common shares and our deepening position in Spanish Broadcasting. Consistent with prior years, the Fund had no investments in High Yielding Securities. We do not target specific strategy weightings; rather we select the most attractive investment opportunities wherever they are found.

By Investment Strategy	**% of Investment Portfolio**	
	30-Jun-18	**31-Dec-17**
Special Situation Equities	36.4%	47.9%
Distressed Securities	63.6%	52.1%
High Yielding Securities	0.0%	0.0%
Total	**100.0%**	**100.0%**

Investment Portfolio by Industrial Group

While Ravensource does not specialize in specific industries, our experience and investment philosophy lead us to focus on companies with hard assets. We like to invest in companies in which we understand the products/services they offer and more importantly have a strong grasp of the business model and its tangible asset value. Thus, it should not come as a surprise to see more traditional industries favored in our portfolio, which is more of an outcome of our investment process than a pre-ordained allocation. Further, our emphasis on an investment's margin of safety generally results in avoiding the more sensitive sectors of the economy.

By Industrial Group	% of Portfolio
Food & Beverage	24.6%
Financial	19.4%
Metals & Mining	15.7%
Real Estate	15.6%
Media & Publishing	13.2%
Energy	3.4%
Technology	3.1%
Retail	2.6%
Industrial	2.5%
Total	**100%**

Concentration

We believe that the most effective method to reduce/manage risk is to know your investments inside and out. Thus, one of the Fund's biggest investments is the time it takes the team to uncover, protect and maximize the value of our investments, which means Ravensource may be a more concentrated portfolio than other investment funds. As of June 30, 2018, the Fund had seven investments exceeding 5% of NAV. Excluding cash, the top 10 investments ranked by market value represented 72.3% of NAV as of June 30, 2018. We expect that the Fund will continue to maintain its exposure in positions that we know the best and where we hold the strongest convictions.

Skin-in-the-Game

The Stornoway Team is passionate about the approach and philosophy that drives our investment decisions, our active involvement in the companies we invest in, and the steps we take to reduce risk and generate investment returns. One of our core tenets is that we treat our fellow investors as partners. We firmly believe that an investment manager should have "skin in the game", sharing in the risk and reward of our decisions alongside other investors. Each member of the Stornoway Team has a substantial personal investment in Ravensource and as of June 30, 2018, I owned approximately 9.9% of the total units of Ravensource outstanding. In short, we eat our own cooking.

Concluding Remarks

The first half of 2018 was a very productive period: we readied SFG for market; ramped up the turnaround of GXI; participated in the revitalization of Firm Capital America; and helped craft the strategy to restructure Spanish Broadcasting. Some of these initiatives generated tangible results this period, while others are a work-in-progress with expected rewards on the come.

Looking forward, our portfolio represents a healthy balance of investments diversified across the investment lifecycle. We have newer positions that are net consumers of both financial and intellectual capital; mid-stream companies that have been stabilized and are ready to prosper; and mature investments that we expect to be crystallized in the near future, providing us fresh capital to sow and begin the process anew.

In writing this review, we wrestle with the twin objectives of being thorough yet succinct. We recognize that despite our effort to cut to the essentials, there remains a lot of information to digest. As always, we are available via phone and/or in person to discuss your investment further. Please don't hesitate to contact us. We always look forward to hearing from unitholders and enjoy discussing our investments and strategy with you.

On behalf of Brandon, Daniel, Mahesh and myself, we greatly appreciate the partnership, trust and long-term perspective of our fellow investors, aka you. We are dedicated to protecting and growing your capital for years to come.

We are appreciative of your partnership and trust.

August 2018

Scott Reid

Scott Reid
President and Chief Investment Officer
Stornoway Portfolio Management Inc.
Investment Manager of the Ravensource Fund

Appendix 1 - Ravensource's Use of Comparable Indices

Given the idiosyncratic nature of the Fund's investment strategy, the Investment Manager does not believe there is an index that sufficiently resembles the Fund to the degree it should be considered or used as a "benchmark". However, the Investment Manager provides historical performance data for several indices in addition to the results of the Fund for comparison purposes. The Investment Manager has chosen indices that it believes are relevant to the investment mandate of the Fund and / or to capital markets in general. However, while each of these indices overlap with certain aspects of the Fund's mandate, none of them share significant similarities with the Fund's investment portfolio:

- The S&P/TSX Composite Total Return Index ("S&P/TSX") is the principal broad-based measure commonly accepted by investors to measure the performance of Canadian equity markets. The S&P/TSX is a relevant index for comparison purposes as the Fund's investment portfolio contains Canadian equity investments and the Fund's debt investments are frequently converted into equity securities as part of the restructuring process. However, the performance of the S&P/TSX will vary greatly from the Fund as its investment portfolio is primarily comprised of securities that are not included in the S&P/TSX.

- The S&P/TSX Small Cap Total Return Index ("TSX Small Cap") tracks the performance of the Canadian small cap equity market. The TSX Small Cap is a relevant index for comparison purposes as the Fund invests in Canadian small cap companies that are attractively valued with catalysts to unlock value. However, the performance of the TSX Small Cap will vary greatly from the Fund as its investment portfolio is primarily comprised of securities that are not included in the TSX Small Cap.

- The ICE BofAML US High Yield Index ("BAMLHY") tracks the performance of USD-denominated, sub-investment grade rated corporate debt. BAMLHY is a relevant index for comparison purposes as the Fund invests in corporate debt securities that are rated below investment grade. However, the Fund's investment portfolio also includes defaulted debt and equity securities which are not included in the BAMLHY and thus the Fund's performance may vary greatly from BAMLHY.

- The Credit Suisse Distressed Hedge Fund Index ("CSDHFI") tracks the aggregate performance of investment funds that focus on investing in companies that are subject to financial or operational distress or bankruptcy proceedings. The CSDHFI is a relevant index for comparison purposes as the Fund's investment mandate broadly overlaps that of the funds that make up the CSDHFI. However, it is likely that the composition of the Fund's investment portfolio is unique from these peers and thus the Fund's performance may vary greatly from the CSDHFI.

As the Fund makes idiosyncratic investments in securities which are overlooked by the capital markets, the Fund's investment portfolio contains investments that are not likely included in any of the above indices and thus an investment in the Fund should not be considered a substitute or proxy for the underlying index. For the reasons stated above, these indices should not be considered a benchmark for the Fund and there can be no assurance that any historical correlation or relationship will continue in the future. As the CSDHFI and BAMLHY indices are reported in USD while the Fund reports in CAD, the Manager translates the CSDHFI and BAMLHY into CAD using the prevailing foreign exchange rate as of the date of each observation.

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